

**CAL  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2004

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**CAL COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**BOARD OF EDUCATION**

(Before September, 2003 Election)

Roy Plagge	President	2004
Mark Johansen	Vice President	2004
Craig Johnson		2005
Jacki Anderson		2005
Lee Schaefer		2003

(After September, 2003 Election)

Roy Plagge	President	2004
Mark Johansen	Vice President	2004
Craig Johnson		2005
Jacki Anderson		2005
Lee Schaefer		2006

**SCHOOL OFFICIALS**

Lyle Schwartz	Superintendent
Beverly Stratmann	District Secretary
Marlys Pralle	District Treasurer

## **Independent Auditor's Report**

To The Board of Education of the  
CAL Community School District:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of CAL Community School District, Latimer, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of CAL Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 7 to the financial statements, during the year ended June 30, 2004, CAL Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated November 23, 2004 on our consideration of CAL Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 28 through 29 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CAL Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report. The financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**BRUCE D. FRINK**  
**Certified Public Accountant**

November 23, 2004

## **CAL COMMUNITY SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

CAL Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

#### **2004 FINANCIAL HIGHLIGHTS**

- General Fund revenues were \$2,453,706 for fiscal 2004, while General Fund expenditures were \$2,422,888 in fiscal year 2004. This resulted in the District's General Fund balance of \$633,209, which was an increase of \$30,818 from the balance in fiscal year 2003.
- The District started collecting School Infrastructure Local Option Sales Tax from Franklin County during the year. No definite plans have been made for the usage of these funds.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are Government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The statements for governmental funds explain how basic services, such as regular and special education, were financed in the short term, as well as what remains for future spending.
- The statement for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

*Figure A-1*  
*CAL Community School District*

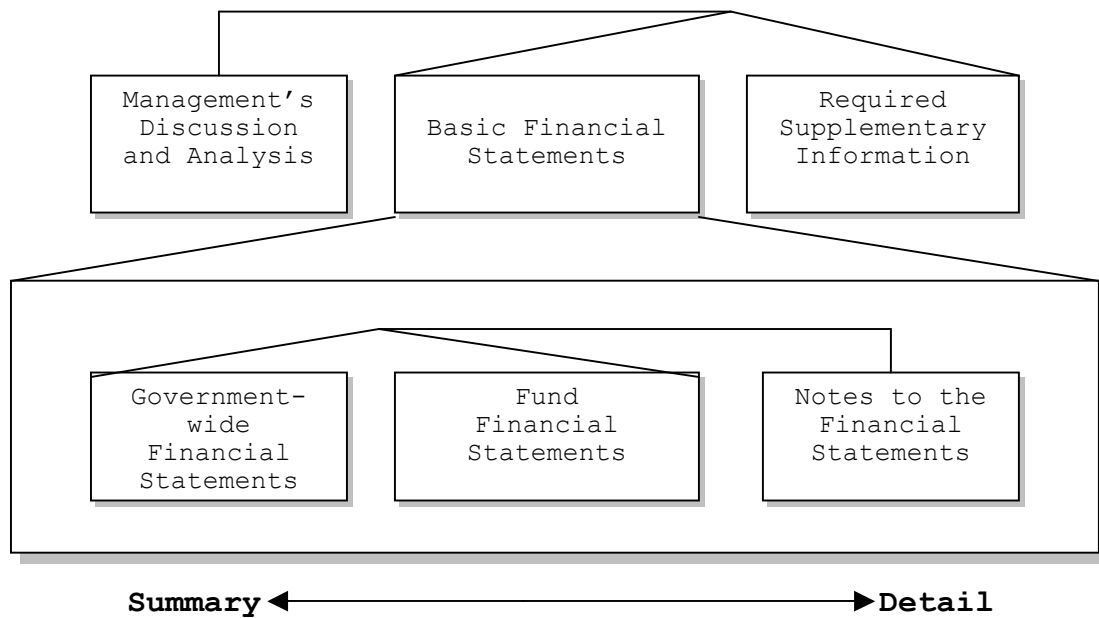


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b> <b>Major Features of the Government-Wide and Fund Financial Statements</b>			
	<b>Government-Wide Statements</b>	<b>Fund Financial Statements</b>	
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service
Required financial statements	. Statement of net assets . Statement of activities	. Balance sheet . Statement of revenues, expenditures, and changes in fund balances	. Statement of net assets . Statement of revenues, expenses and changes in net assets . Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities. Declining student enrollment also impacts the District's overall financial health.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid, finance most of these activities.
- **Business-type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements. The District's governmental funds include the General Fund, Special Revenue Funds and Capital Projects Fund.
- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net assets** - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004 compared to June 30, 2003.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(expressed in thousands)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>		<b>Percentage</b>
	<b>Activities</b>		<b>Activities</b>		<b>School District</b>		<b>Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2003-2004</b>
	\$	\$	\$	\$	\$	\$	
Current assets	2,301	2,189	26	24	2,327	2,213	5.15%
Capital assets	<u>1,572</u>	<u>1,595</u>	<u>3</u>	<u>5</u>	<u>1,575</u>	<u>1,600</u>	<u>-1.56%</u>
<b>Total assets</b>	<u><b>3,873</b></u>	<u><b>3,784</b></u>	<u><b>29</b></u>	<u><b>29</b></u>	<u><b>3,902</b></u>	<u><b>3,813</b></u>	<u><b>2.33%</b></u>
Current liabilities	1,326	1,243	1	-	1,327	1,243	6.76%
Non-current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	#DIV/0!
<b>Total liabilities</b>	<u><b>1,326</b></u>	<u><b>1,243</b></u>	<u><b>1</b></u>	<u><b>-</b></u>	<u><b>1,327</b></u>	<u><b>1,243</b></u>	<u><b>6.76%</b></u>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	1,572	1,595	3	5	1,575	1,600	-1.56%
Restricted	175	168	-	-	175	168	4.17%
Unrestricted	<u>800</u>	<u>778</u>	<u>25</u>	<u>24</u>	<u>825</u>	<u>802</u>	<u>2.87%</u>
<b>Total net assets</b>	<u><b>2,547</b></u>	<u><b>2,541</b></u>	<u><b>28</b></u>	<u><b>29</b></u>	<u><b>2,575</b></u>	<u><b>2,570</b></u>	<u><b>0.19%</b></u>

The District's net assets for governmental activities were \$2,546,635 on June 30, 2004. The net assets for business type activities were \$27,656 on June 30, 2004. When these are combined, the total combined net assets were \$2,574,291 on June 30, 2004.

### Governmental Activities

Revenues for governmental activities were \$2,760,700 and expenses were \$2,733,088.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

	<b>Figure A-4</b>	
	<b>Total and Net Cost of Governmental Activities</b>	
	<b>(expressed in thousands)</b>	
	<b>Total Cost</b>	<b>Net Cost</b>
	<b>of Services</b>	<b>of Services</b>
	\$	\$
Instruction	1,748	1,199
Support Services	792	756
Non-instructional programs	16	16
Other expenses	<u>200</u>	<u>114</u>
<b>Totals</b>	<u><b>2,756</b></u>	<u><b>2,085</b></u>

- The cost financed by users of the District's programs was \$146,086.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$403,255.
- The net cost of governmental activities was financed with \$1,181,885 in property tax, \$774,658 unrestricted state grants and \$10,450 in interest income.

#### **Business-Type Activities**

Revenues of the District's business-type activities were \$91,789 and expenses were \$92,556. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

#### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As previously noted, the CAL Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the fiscal year 2004, its governmental funds reported a combined fund balance of 2,546,635.

#### **Governmental Fund Highlights**

- The District's General Fund financial position has remained fairly constant and is the product of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was offset by the District's increase in General Fund expenditures to meet its financial obligations during the year.
- The General Fund balance increased from \$602,391 to \$633,209, due in part to an increase in Federal grant activity and careful monitoring of expenditures.
- The Physical Plant and Equipment Levy (PPEL) Fund balance was \$344,659.
- The Capital Projects was started in the fiscal year ending June 30, 2004 as a result of the passage of the SILO tax in Franklin County. The first revenues were received in March 2004. This money can be used for the same purposes as the District's PPEL funds. The fund balance was \$30,876.

#### **Proprietary Fund Highlights**

The School Nutrition Fund net assets for the fiscal year ending June 30, 2004 were \$27,656. The program maintained prices at the same level as the previous year.

#### **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison.

## Legal Budgetary Highlights

The District's total actual receipts were \$38,467 more than budgeted receipts, even though the District received less in various components of state aid than originally anticipated. This was offset by increased Federal grant activity.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2004, the District had invested \$1,574,577, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-5) More detailed information about the District's capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$144,688.

**Figure A-5**  
**Condensed Statement of Net Assets**  
**(expressed in thousands)**

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
	\$	\$	\$	\$	\$	\$	
Land	10	10	-	-	10	10	0.00%
Site improvements	41	50	-	-	41	50	-18.00%
Buildings	1,391	1,385	-	-	1,391	1,385	0.43%
Furniture and equipment	130	150	3	5	133	155	-14.19%
Totals	<u>1,572</u>	<u>1,595</u>	<u>3</u>	<u>5</u>	<u>1,575</u>	<u>1,600</u>	<u>-1.56%</u>

The original cost of the District's capital assets was \$3,583,142. Governmental funds account for \$3,556,439, with the remainder of \$26,703 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred due to the purchase of a bus and window replacement. These came from PPEL funds.

### Long-Term Debt

At June 30, 2004, the CAL Community School District has no long-term debt.

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- CAL is entering the final year of a two-way whole grade sharing agreement with Dows Community School District for grades 6-12. CAL will revert to a stand alone K-12 district in fiscal 2006.
- CAL anticipates a high percentage of Dows students in grades 9-12 to open enroll or request affected student status to CAL for the next several years. This will increase funds coming into the District.
- Although the District has experienced declining enrollment in recent years, the District expects to maintain a stable enrollment for a few years.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Beverly Stratman, District Secretary, CAL Community School District, 1441 Gull, Latimer, IA 50452.



## Basic Financial Statements

## CAL COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	973,901	19,963	993,864
Receivables:			
Property tax:			
Current year	11,469	-	11,469
Succeeding year	1,245,347	-	1,245,347
Income surtax - succeeding year	58,000	-	58,000
Due from other governments	12,081	-	12,081
Inventories	-	5,924	5,924
Capital assets, net of accumulated depreciation	1,571,973	2,604	1,574,577
<b>Total assets</b>	<b>3,872,771</b>	<b>28,491</b>	<b>3,901,262</b>
<b>Liabilities</b>			
Accounts payable	21,360	-	21,360
Salaries and benefits payable	1,429	835	2,264
Deferred revenue:			
Succeeding year property tax	1,245,347	-	1,245,347
Succeeding year income surtax	58,000	-	58,000
<b>Total liabilities</b>	<b>1,326,136</b>	<b>835</b>	<b>1,326,971</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,571,973	2,604	1,574,577
Restricted for:			
Management levy	53,514	-	53,514
Physical plant and equipment levy	89,996	-	89,996
Capital projects	30,876	-	30,876
Unrestricted	800,276	25,052	825,328
<b>Total net assets</b>	<b>2,546,635</b>	<b>27,656</b>	<b>2,574,291</b>

See notes to financial statements.



## CAL COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

	Program Revenues					Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
	\$	\$	\$	\$	\$	\$
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	1,034,256	145,885	148,022	(740,349)	-	(740,349)
Special instruction	427,350	-	137,304	(290,046)	-	(290,046)
Other instruction	286,390	-	117,871	(168,519)	-	(168,519)
	<u>1,747,996</u>	<u>145,885</u>	<u>403,197</u>	<u>(1,198,914)</u>	<u>-</u>	<u>(1,198,914)</u>
Support services:						
Student services	37,406	-	1,796	(35,610)	-	(35,610)
Instructional staff services	131,181	-	-	(131,181)	-	(131,181)
Administration services	235,909	-	-	(235,909)	-	(235,909)
Operation and maintenance of plant services	222,317	-	25,047	(197,270)	-	(197,270)
Transportation services	163,746	201	8,882	(154,663)	-	(154,663)
Central support services	1,112	-	-	(1,112)	-	(1,112)
	<u>791,671</u>	<u>201</u>	<u>35,725</u>	<u>(755,745)</u>	<u>-</u>	<u>(755,745)</u>
Non-instructional programs:						
Food service operations	16,132	-	-	(16,132)	-	(16,132)
Other expenditures:						
AEA flowthrough	85,778	-	85,778	-	-	-
Facilities acquisition and construction	1,236	-	-	(1,236)	-	(1,236)
Depreciation (unallocated)*	113,061	-	-	(113,061)	-	(113,061)
	<u>200,075</u>	<u>-</u>	<u>85,778</u>	<u>(114,297)</u>	<u>-</u>	<u>(114,297)</u>
Total governmental activities	2,755,874	146,086	524,700	(2,085,088)	-	(2,085,088)

CAL COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

	Program Revenues					
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$	\$	\$	\$
Business-Type activities:						
Non-instructional programs:						
Nutrition services	92,556	42,065	49,724	-	(767)	(767)
Total	<u>2,848,430</u>	<u>188,151</u>	<u>574,424</u>	<u>(2,085,088)</u>	<u>(767)</u>	<u>(2,085,855)</u>
General revenues:						
Property tax levied for:						
General purposes				1,073,540	-	1,073,540
Management				36,421	-	36,421
Capital outlay				104,703	-	104,703
Income surtax				52,380	-	52,380
Local option sales tax				30,876	-	30,876
Unrestricted state grants				774,658	-	774,658
Unrestricted investment earnings				10,450	-	10,450
Other				6,886	-	6,886
Total general revenue				<u>2,089,914</u>	<u>-</u>	<u>2,089,914</u>
Change in net assets				4,826	(767)	4,059
Net assets beginning of year, as restated (note 7)				<u>2,541,809</u>	<u>28,423</u>	<u>2,570,232</u>
Net assets end of year				<u>2,546,635</u>	<u>27,656</u>	<u>2,574,291</u>

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

## CAL COMMUNITY SCHOOL DISTRICT

## Balance Sheet

## Governmental Funds

June 30, 2004

	General	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash	640,317	24,320	309,264	973,901
Receivables:				
Property tax:				
Current year	10,156	-	1,313	11,469
Succeeding year	1,104,334	-	141,013	1,245,347
Income surtax - succeeding year	58,000	-	-	58,000
Due from other governments	5,525	6,556	-	12,081
<b>Total assets</b>	<u>1,818,332</u>	<u>30,876</u>	<u>451,590</u>	<u>2,300,798</u>
<b>Liabilities and Fund Balance</b>				
Liabilities:				
Accounts payable	21,360	-	-	21,360
Salaries and benefits payable	1,429	-	-	1,429
Deferred revenue:				
Succeeding year property tax	1,104,334	-	141,013	1,245,347
Succeeding year income surtax	58,000	-	-	58,000
Total liabilities	<u>1,185,123</u>	<u>-</u>	<u>141,013</u>	<u>1,326,136</u>
Fund balances:				
Reserved for capital projects	-	30,876	-	30,876
Unreserved	633,209	-	310,577	943,786
Total fund balance	<u>633,209</u>	<u>30,876</u>	<u>310,577</u>	<u>974,662</u>
<b>Total liabilities and fund balances</b>	<u>1,818,332</u>	<u>30,876</u>	<u>451,590</u>	<u>2,300,798</u>

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2004

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 974,662
--	------------

**Amounts reported for governmental activities in the  
statement of net assets are different because:**

Capital assets used in governmental activities are not  
financial resources and, therefore, are not reported as  
assets in the governmental funds.

1,571,973

<b>Net assets of governmental activities (Exhibit A)</b>	<u>\$ 2,546,635</u>
--	---------------------

## CAL COMMUNITY SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Governmental Fund Types

Year ended June 30, 2004

	General	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,125,920	30,876	141,124	1,297,920
Tuition	70,577	-	-	70,577
Other	100,520	-	113,770	214,290
State sources	1,012,064	-	1,026	1,013,090
Federal sources	144,625	-	20,198	164,823
Total revenues	<u>2,453,706</u>	<u>30,876</u>	<u>276,118</u>	<u>2,760,700</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,008,335	-	34,506	1,042,841
Special instruction	427,350	-	-	427,350
Other instruction	167,355	-	119,035	286,390
	<u>1,603,040</u>	<u>-</u>	<u>153,541</u>	<u>1,756,581</u>
Support services:				
Student services	37,406	-	-	37,406
Instructional staff services	131,181	-	-	131,181
Administration services	235,909	-	-	235,909
Operation and maintenance of plant services	173,166	-	49,151	222,317
Transportation services	139,164	-	59,224	198,388
Central support services	1,112	-	-	1,112
	<u>717,938</u>	<u>-</u>	<u>108,375</u>	<u>826,313</u>
Non-instructional programs:				
Food service operations	16,132	-	-	16,132
Other expenditures:				
AEA flowthrough	85,778	-	-	85,778
Facilities acquisition and construction	-	-	48,284	48,284
	<u>85,778</u>	<u>-</u>	<u>48,284</u>	<u>134,062</u>
Total expenditures	<u>2,422,888</u>	<u>-</u>	<u>310,200</u>	<u>2,733,088</u>
Excess of revenues over expenditures	30,818	30,876	(34,082)	27,612
Fund balances beginning of year, as restated (note 7)	602,391	-	344,659	947,050
Fund balances end of year	<u>633,209</u>	<u>30,876</u>	<u>310,577</u>	<u>974,662</u>

See notes to financial statements.

## CAL COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Governmental Funds  
 to the Statement of Activities

Year ended June 30, 2004

**Net change in fund balances - total governmental funds (Exhibit E)** \$ 27,612

**Amounts reported for governmental activities in the  
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	114,857
Depreciation expense	<u>(137,643)</u>

**Change in net assets of governmental activities (Exhibit B)** \$ 4,826

See notes to financial statements.

## CAL COMMUNITY SCHOOL DISTRICT

## Statement of Revenues, Expenses and Changes in Net Assets

## Proprietary Fund

Year ended June 30, 2004

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>42,065</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	25,000
Benefits	8,024
Supplies	56,749
Depreciation	<u>2,783</u>
Total operating expenses	<u>92,556</u>
Operating (loss)	<u>(50,491)</u>
Non-operating revenues:	
State sources	1,254
Federal sources	<u>48,470</u>
	<u>49,724</u>
Changes in net assets	(767)
Net assets beginning of year	<u>28,423</u>
Net assets end of year	<u><u>27,656</u></u>

See notes to financial statements.

## CAL COMMUNITY SCHOOL DISTRICT

## Statement of Cash Flows

## Proprietary Fund

Year ended June 30, 2004

	School Nutrition
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	42,065
Cash payments to employees for services	(32,190)
Cash payments to suppliers for goods or services	(50,170)
Net cash (used in) operating activities	(40,295)
Cash flows from non-capital financing activities:	
State grants received	1,254
Federal grants received	40,208
Net cash provided by non-capital financing activities	41,462
Net (decrease) in cash and cash equivalents	1,167
Cash and cash equivalents beginning of year	18,796
Cash and cash equivalents end of year	19,963
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>	
Operating (loss)	(50,491)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	2,783
Commodities used	8,262
(Increase) in inventory	(714)
(Decrease) in salaries and benefits payable	(135)
	(40,295)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>	
Current assets:	
Cash	19,963

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2004, the District received federal commodities valued at \$8,262.

See notes to financial statements.



# CAL COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2004

### (1) Summary of Significant Accounting Policies

The CAL Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Coulter, Alexander and Latimer, Iowa, and agricultural area in Franklin and Wright Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, CAL Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The CAL Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Franklin County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide financial statements - The Statements of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental proprietary fund. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

#### C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa and grants from other governments.

Interfund receivable/payable - The District's Management Fund is deemed to owe the General Fund \$25,060 as the result of a deficit cash balance in a joint account.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2004.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures did not exceed budgeted amounts during the year ending June 30, 2004.

#### **(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2004.

### (3) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year, as restated (note 7)	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 10,100	-	-	10,100
Capital assets being depreciated:				
Site Improvements	239,384	-	-	239,384
Buildings	2,150,577	47,048	-	2,197,625
Furniture and Equipment	1,041,521	67,809	-	1,109,330
Total capital assets being depreciated	3,431,482	114,857	-	3,546,339
Less accumulated depreciation for:				
Site Improvements	189,430	8,722	-	198,152
Buildings	766,156	41,265	-	807,421
Furniture and Equipment	891,237	87,656	-	978,893
Total accumulated depreciation	1,846,823	137,643	-	1,984,466
Total capital assets being depreciated, net	1,584,659	(22,786)	-	1,561,873
Governmental activities, capital assets, net	\$ 1,594,759	(22,786)	-	1,571,973
<b>Business type activities:</b>				
Furniture and equipment	26,703	0	-	26,703
Less accumulated depreciation	21,316	2,783	-	24,099
Business type activities capital assets, net	\$ 5,387	(2,783)	-	2,604
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Transportation				24,582
Unallocated				113,061
				\$ 137,643
Business Type activities:				
Food service operations				\$ 7,045

### (4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$81,336, \$87,554, and \$85,627 respectively, equal to the required contributions for each year.

**(5) Risk Management**

CAL Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(6) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$85,778 for year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(7) Accounting Change**

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments; Omnibus, Statement Number 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; were implemented during the fiscal year ending June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include District-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The District-wide financial statements split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

	Fund			
	General	Capital Projects	Nonmajor Special/Revenue	Total
Net assets, June 30, 2003, as previously reported	\$602,391	-	344,659	947,050
GASB Interpretation 6 adjustments	-	-	-	-
Net assets, July 1, 2003, as restated for governmental funds	<u>\$602,391</u>	<u>-</u>	<u>344,659</u>	947,050
GASB 34 adjustments:				
Capital assets, net of accumulated depreciation of \$1,846,823				1,594,759
Net assets, July 1, 2003, as restated				<u>\$2,541,809</u>

## Required Supplementary Information



**CAL COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual
	Actual	Actual	Actual	Original	Final	Variance -
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	1,582,787	42,065	1,624,852	1,626,847	1,626,847	(1,995)
State sources	1,013,090	1,254	1,014,344	1,060,175	1,060,175	(45,831)
Federal sources	164,823	48,470	213,293	127,000	127,000	86,293
Total revenues	2,760,700	91,789	2,852,489	2,814,022	2,814,022	38,467
Expenditures:						
Instruction	1,756,581	-	1,756,581	1,960,131	1,960,131	203,550
Support services	826,313	-	826,313	1,165,000	1,165,000	338,687
Non-instructional programs	16,132	92,556	108,688	150,000	150,000	41,312
Other expenditures	134,062	-	134,062	151,941	151,941	17,879
Total expenditures	2,733,088	92,556	2,825,644	3,427,072	3,427,072	601,428
Excess (deficiency) of revenues over (under) expenditures	27,612	(767)	26,845	(613,050)	(613,050)	639,895
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	27,612	(767)	26,845	(613,050)	(613,050)	639,895
Balance beginning of year	947,050	28,423	975,473	1,003,466	1,003,466	(27,993)
Balance end of year	974,662	27,656	1,002,318	390,416	390,416	611,902

See accompanying independent auditor's report.

**CAL COMMUNITY SCHOOL DISTRICT**

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis of accounting. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functions expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2004, expenditures did not exceed the amounts budgeted in any of the four functions..

## Other Supplementary Information

## CAL COMMUNITY SCHOOL DISTRICT

## Combining Balance Sheet

## Nonmajor Special Revenue Funds

June 30, 2004

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	53,190	167,067	89,007	309,264
Property tax receivable:				
Current year	324	-	989	1,313
Succeeding year	60,000	-	81,013	141,013
<b>Total assets</b>	<u>113,514</u>	<u>167,067</u>	<u>171,009</u>	<u>451,590</u>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	60,000	-	81,013	141,013
	<u>60,000</u>	<u>-</u>	<u>81,013</u>	<u>141,013</u>
Fund equity:				
Unreserved, undesignated fund balance	53,514	167,067	89,996	310,577
	<u>53,514</u>	<u>167,067</u>	<u>89,996</u>	<u>310,577</u>
<b>Total liabilities and fund equity</b>	<u>113,514</u>	<u>167,067</u>	<u>171,009</u>	<u>451,590</u>

See accompanying independent auditor's report.

## CAL COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances

## Nonmajor Special Revenue Funds

Year ended June 30, 2004

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	36,421	-	104,703	141,124
Other	2,784	109,947	1,039	113,770
State sources	18	-	1,008	1,026
Federal sources	-	-	20,198	20,198
Total revenues	<u>39,223</u>	<u>109,947</u>	<u>126,948</u>	<u>276,118</u>
Expenditures:				
Instruction:				
Regular instruction	-	-	34,506	34,506
Co-curricular instruction	-	119,035	-	119,035
Support services:				
Plant operation and maintenance	49,151	-	-	49,151
Student transportation	-	-	59,224	59,224
Other expenditures:				
Facility acquisition and construction services	-	-	48,284	48,284
Total expenditures	<u>49,151</u>	<u>119,035</u>	<u>142,014</u>	<u>310,200</u>
(Deficiency) of revenues (under) expenditures	(9,928)	(9,088)	(15,066)	(34,082)
Fund balances beginning of year, as restated (note 7)	<u>63,442</u>	<u>176,155</u>	<u>105,062</u>	<u>344,659</u>
Balance end of year	<u><u>53,514</u></u>	<u><u>167,067</u></u>	<u><u>89,996</u></u>	<u><u>310,577</u></u>

See accompanying independent auditor's report.

## CAL COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Drama	1,019	1,488	1,440	1,067
Vocal Music	63	1,790	1,058	795
Instrumental Music	322	1,500	850	972
Golf	299	1,415	1,293	421
Cross Country	672	1,115	985	802
Boys Basketball	4,307	4,012	4,316	4,003
Football	2,926	6,953	4,160	5,719
Baseball	100	4,000	2,137	1,963
Boys Track	688	2,984	2,658	1,014
Girls Basketball	4,453	3,904	3,820	4,537
Volleyball	2,690	3,524	4,057	2,157
Softball	3,029	1,858	1,789	3,098
Girls Track	3,058	2,905	3,911	2,052
Early Childhood/Preschool	57	731	10	778
Annual	732	7,280	7,143	869
Activity Passes	-	3,344	3,344	-
Swing Choir	109	1,876	1,536	449
FFA	4,178	7,095	4,570	6,703
Cheerleaders	3,374	5,240	3,887	4,727
National Honor Society	95	72	-	167
SADD	-	-	-	-
Washington DC Trip	-	6,450	6,255	195
Spanish Club	288	119	-	407
Student Council	6,905	12,861	13,751	6,015
Class of 2007	-	2,279	1,222	1,057
Class of 2003	140	-	-	140
Class of 2004	1,496	281	1,479	298
High School Activity	348	2,252	2,205	395
Class of 2005	1,281	4,776	4,245	1,812
Class of 2006	1,530	548	624	1,454
Elementary Activity	1,365	1,707	1,678	1,394
Wrestling	1,197	4,385	2,388	3,194
Student Pictures	3,559	94	2,500	1,153
Gatorade	-	-	-	-
Concessions	-	2,007	2,007	-
Concessions Equipment	2,685	-	-	2,685
Glasses	514	70	-	584
Iowa Arts Council Grant	-	-	-	-
Interest	121,270	3,198	22,825	101,643
Jump Rope for Heart	452	-	62	390
Music Resale	-	1,809	1,809	-
Art Resale	40	-	-	40
Materials for Resale	(1,128)	1,096	664	(696)
RIF	2,042	2,929	2,357	2,614
Total	176,155	109,947	119,035	167,067

See accompanying independent auditor's report.

## CAL COMMUNITY SCHOOL DISTRICT

## Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2004	2003	2002	2001
Local sources:				
Local tax:				
Property tax	1,234,450	1,177,218	1,179,780	1,086,509
Income surtax	52,380	57,421	58,249	68,207
	<u>1,286,830</u>	<u>1,234,639</u>	<u>1,238,029</u>	<u>1,154,716</u>
State sources:				
State foundation aid	774,096	755,257	710,424	881,552
School improvement and technology	-	-	10,994	20,155
AEA flow through	85,778	92,203	92,417	98,999
Instructional support	7,709	12,606	8,973	11,345
Iowa Early Intervention Block Grant	16,994	20,098	13,403	11,904
Shelter Care/Juvenile Home Aid	-	-	11,057	10,632
Educational Excellence Program:				
Phase I	38,461	33,516	37,706	40,210
Phase II	23,833	21,899	24,500	27,474
Phase III	-	8,859	14,001	15,307
Non-public transportation aid	8,882	8,248	10,994	5,114
Non-public textbook aid	524	1,076	840	-
Vocational education aid	4,797	3,374	3,681	3,601
Military credit replacement	634	597	640	606
Teacher mentoring	3,900	3,900	1,300	-
Teacher compensation	25,242	21,789	21,733	-
Evaluator training	2,000	2,000	-	-
Lunch and breakfast program claims	1,254	1,516	1,514	1,458
Other state aid	-	27,400	271	16,082
	<u>994,104</u>	<u>1,014,338</u>	<u>964,448</u>	<u>1,144,439</u>
Federal sources:				
Class Size Reduction	-	-	4,175	3,420
Improving Teacher Quality - State Grant	11,198	7,540	-	-
Rural Education Achievement Program	28,371	24,622	-	-
Safe and Drug Free Schools	3,402	1,606	1,580	583
Title I Program	59,436	50,449	42,828	30,344
Innovative Education Program Strategies	2,236	-	2,135	2,490
Other federal sources	21,716	31,067	-	205,090
Food distribution	8,262	9,298	5,718	5,701
School nutrition	40,208	41,351	36,511	24,872
	<u>174,829</u>	<u>165,933</u>	<u>92,947</u>	<u>272,500</u>
Total	<u>2,455,763</u>	<u>2,414,910</u>	<u>2,295,424</u>	<u>2,571,655</u>

**Independent Auditor's Report on Compliance and  
on Internal Control over Financial Reporting**

To the Board of Education of the  
CAL Community School District:

We have audited the financial statements of the CAL Community School District, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 23, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether CAL Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the Accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CAL Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and no to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect CAL Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.



A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 04-I-A is a material weakness. Prior year reportable conditions have all been resolved except for item 04-I-A.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of CAL Community School District and other parties to whom CAL Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of CAL Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

**BRUCE D. FRINK**  
**Certified Public Accountant**

November 23, 2004

CAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

**Part I: Findings Related to the General Purpose Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

04-I-A      Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

**Part II: Other Findings Related to Required Statutory Reporting:**

04-II-A      Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

04-II-B      Certified Budget - Expenditures for the year ended June 30, 2004, did not exceed the certified budgeted amount

04-II-C      Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

04-II-D      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

04-II-E      Business Transactions - No business transactions between the District and District officials or employees.

04-II-F      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

04-II-G      Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

**CAL COMMUNITY SCHOOL DISTRICT**

Schedule of Findings

Year ended June 30, 2004

**Part II: Other Findings Related to Required Statutory Reporting:**  
**(continued):**

- 04-II-H      Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 04-II-I      Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 04-II-J      Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

